

RFP GUIDANCE FOR PROPOSERS

PURPOSE

The purpose of this paper is to provide guidance to proposers on how they are to present utility privatization cost estimates. This guidance will be included in future RFPs.

Following this guidance will accomplish the following goals:

- Reduce government follow up and clarification questions to proposers.
- Simplify comparisons of proposer and government costs.
- Decrease analysis time by reducing labor required to verify reentry of data into the Utility Privatization Economic Analysis Support Tool (UPEAST).
- Ensure that values used in UPEAST are as presented by the proposer.

GUIDANCE

The Department of Defense (OSD) has developed the Utility Privatization Economic Analysis Support Tool as an aid in conducting economic analyses. To reduce the time lag between proposal submittal and an initial decision, proposer Life Cycle Cost Analyses (LCCA) Summary Data will follow a standard format. Standardization of summary data does not imply a standardization of bid development methodology or a standardization of the underlying cost structure. Standardization only applies to summary data; proposers will continue to develop their LCCA in whatever manner they choose.

The standardized LCCA Summary Data Model consists of general data, seven (7) preformatted, and five (5) proposer formatted (other) cost categories. Proposers are not required to use all the categories; rather, the proposer is to use only the fields necessary to represent their bid.

All charges to the government must be reflected in the summary data. The proposer must provide supporting schedules and calculations used to arrive at this summary data. Attached to this document is a model LCCA Summary Data spreadsheet. This spreadsheet is to be completed and submitted with the proposal. The spreadsheet does not limit the construction or design of the proposer's bid nor does it supercede any government regulations.

STANDARDIZED LCCA SUMMARY DATA SPREADSHEET

Double click to download. This spreadsheet must be submitted with the proposals cost estimate.



"Standardized
LCCA Summary Data

DISCUSSION OF THE STANDARDIZED LCCA SUMMARY DATA SPREADSHEET

The Standardized LCCA Summary Data Spreadsheet requires entry of general data, and has seven (7) preformatted and five (5) proposer formatted (other) cost categories.

**Attachment J45 Utility Privatization Economic Analysis Tool (UPEAST)
Guidance for Preparing Proposer LCCA Summary Data Guidance**

General Data

1. **Proposer purchaser** - Enter the name of the proposer.
2. **Contract period** – Entry the duration of the proposed contract in years.
 - a. **Cost Dollar Values** - Enter the year the contract will start. All values will be expressed in Contract Year 1 Dollars. For cost comparison purposes values will be increased by the projected inflation rate in accordance with OMB Circular A-94.
3. **Other Cost** – Enter the title of any customized (other) cost categories used (see Customized Cost Categories below).

Preformatted Cost Categories

The Standardized LCCA Summary Data Spreadsheet offers seven (7) pre-formatted cost categories. Proposers are not required to use all the categories; rather, the proposer is to use only the fields necessary to represent their bid. The seven (7) pre-formatted cost categories are:

1. **Annual O&M** – The annual charge to the government for operation and maintenance of the system.
2. **Annual G&A** – The annual charge to the government for general and administrative costs associated operation of the system.
3. **Annual Recap** – The annual charge to the government for routine upgrades and renewal of the system.
4. **Upgrades** – The annual charge to the government for initial upgrades or initial expansion of the system. All system upgrades required to bring the system into compliance with regulations and industry standards should be completed within the first 5 contract years.
5. **Profit** – The annual charge to the government for reasonable profit.
6. **Taxes** – The annual amount the proposer will pay to in Federal Corporate Taxes for activities directly related to owning and operating this system. Taxes associated with payroll will not be included in this figure. This value is needed so that the costs of federal taxes can be offset by an equal amount of Federal Tax Credit to the proposers bid when making the privatization decision (ie. when comparing the proposers bid to the costs of continued government ownership/operation).
7. **Purchase Price** – The purchase price may take the form of a lump sum or as an annual reduction to other charges. In the LCCA Summary Data Spreadsheet any purchase payment will be entered as a negative value in the appropriate contract year.

Customizable Cost Categories

Other Cost Category (One, Two, Three, Four and Five)

The Standardized LCCA Summary Data Spreadsheet offers five (5) proposer formatted (other) cost categories. The proposer may rename these categories, as necessary to represent their bid. As with all summary data, the proposer must provide supporting schedules and calculations used to derive this data.

Attachment J45 Utility Privatization Economic Analysis Tool (UPEAST)
Guidance for Preparing Proposer LCCA Summary Data Guidance

If a Contribution in Aid of Construction (CIAC) Tax is built into the proposed LCCA, the same value should be entered as a negative value in one customized cost category. This value is needed so that the costs of the CAIC Tax can be removed from the proposers bid when making the privatization decision (ie. when comparing the proposers bid to the costs of continued government ownership/operation).

The 15 April 2002 memorandum from the Office of the Under Secretary of Defense Subject: Class Deviation – Interest Cost permits UP contractors to recovery interest costs associated with capital expenditures to acquire, renovate, upgrade, replace and expand utility systems. The contractor will not be permitted to receive facilities capital cost of money. Interest recovery is limited to no more than 600 biases above the Contracts Disputes Act interest rate in affect at the time the contractor makes the capital expenditures.